

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
14 March 1984

EXAMINER HEARING

IN THE MATTER OF:

Application of Slayton Oil Corpor-
ation for a nonstandard proration
unit, San Juan County, New Mexico.

CASE
8117 & 8118

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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Division:

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DENNY G. FOUST

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3 MR. STAMETS: We'll call next
4 Case 8117.

5 MR. PEARCE: That case is on
6 the application of Slayton Oil Corporation for a nonstandard
7 proration unit, San Juan County, New Mexico.

8 MR. PADILLA: Mr. Examiner, Ernest L. Padilla on behalf of the applicant in this case.

9 I have one witness to be sworn.

10 We'd also ask at this time that
11 for purposes of hearing, that Case 8118 be consolidated with
12 8117.

13 MR. STAMETS: Okay, let's call
14 Case 8118.

15 MR. PEARCE: That case is on
16 the application of Slayton Oil Corporation for a nonstandard
17 proration unit, San Juan County, New Mexico.

18 Are there other appearances in
19 either of these cases?

20 (Witness sworn.)

21 DENNY G. FOUST,

22
23 being called as a witness and being duly sworn upon his
24 oath, testified as follows, to-wit:
25

DIRECT EXAMINATION

BY MR. PADILLA:

Q Mr. Foust, would you for the record please state your name, by whom you're employed, and in what capacity and what your connection with the applicant is?

A I'm a geological consultant out of Bloomfield, New Mexico, and I'm here representing Slayton Oil Corporation as a geological consultant and being familiar with land problems in this general area.

Q Are you -- you have previously testified before the Division and had your credentials accepted as a matter of record as a geologist, have you not?

A Yes, sir, I have.

MR. PADILLA: Mr. Examiner, are the witness' qualifications acceptable?

MR. STAMETS: They are.

Q Mr. Foust, would you turn first to what we have marked as Exhibit Number One and have you tell us what that is and what it contains?

A This is the Federal oil and gas plat for Township 29 North, Range 14 West, San Juan County, New Mexico, and of particular interest in this case is Section 18 of this township and range, and we are going to be talking about Lots 6, 10, 11, for Well No. 1318, and Lots 8 and 9 for Well No. 3218.

MR. STAMETS: Lots 8 and 9,

1
2 which are in the northeast quarter of the section, will be
3 one of the units we're talking about here today.

4 A Right.

5 MR. STAMETS: And then I can't
6 read the numbers on the rest of these lots very well.

7 A Okay. Well, Mr. Examiner --

8 MR. STAMETS: Okay, I see now
9 all right.

10 A 6 has a little arrow there. It's that
11 little triangle.

12 MR. STAMETS: All right, I was
13 looking at -- all of those numbers on there all together
14 kind of confused me. All right, I'm -- I'm with you now.

15 Q All right, Mr. Foust, basically we'll be
16 dealing with lands south of the San Juan River as shown on
17 that Section 18, is that correct?

18 A Yes. We're talking about the lands south
19 of the mid-channel of the San Juan River entirely on the
20 Navajo Indian Reservation.

21 Q Let me refer you to what we have marked
22 as Exhibit Number Two and have you tell us what that is and
23 what it contains.

24 A This is Exhibit Two, which is an outline
25 of the Northwest Cha Cha Federal Unit, with the lots in
question colored in and the locations that have been pro-
posed indicated in green and numbered in Section 18.

Q Now, the boundaries, or the northern

1
2 boundary of the Cha Cha Unit is the river, is that correct?

3 A Yes, it's the mid-channel of the San Juan
4 River.

5 Q And the highlighted area are the proposed
6 proration units, is that --

7 A Yes, sir, that's correct.

8 Q All right, let's go on to what we have
9 marked as Exhibit Number Three, and have you tell us what
10 that is.

11 A Exhibit Three shows Section 18, along
12 with the east half of Section 13 in Township 29 North, 15
13 West, and the west half of Section 17.

14 It indicates the lots which have been
15 surveyed, the acreage in those lots, and also on this map
16 are the producing and plugged Gallup oil wells in the area
17 and one pressure maintenance well and the locations that
18 have been proposed.

19 And there's a legend attached to that.

20 Q I notice on that Exhibit Three that there
21 are three producing wells north of the river. Is that cor-
22 rect?

23 A Yes, there are three producing wells
24 north of the river, all, at least nominally part of the
25 Northwest Cha Cha Field.

Q And all the -- all the acreage north of
the river is participating in those three wells in some form
or another?

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A Yes.

Q Let me refer you to what we have marked as Exhibit Number Four and tell us what it is.

A Exhibit Number Four is the order of the Oil and Gas Commission, R-6065, and this is dated July 11th, 1979. It refers specifically to the well drilled in Lot 5, which is the Caribou -- or was at that time at least, the Caribou Four Corners Kirtland No. 4. It's this well.

And this establishes the 64.23 acre non-standard oil proration unit and extends to the center of the river from the north and excludes Lot 6 and its adjacent riparian, and what we're asking for for Lot -- or for Well No. 1318 is to include this Lot 6 and adjacent riparian with the acreage in Lot 10 and 11 and what riparian acreage is attached to Lot 10, as a spacing unit, and this will come out to be 94.65 acres.

Q Okay, going on to Exhibit Number Five, can you tell us what that is and what it shows?

A Exhibit Number Five is just a diagram of the three lots in question with the north arrow showing how they lay. It's a larger exhibit, or diagram of these three lots.

Currently we cannot drill on Lot 6 because of the BIA regulations in relation to riparian habitat, even if we thought the size was sufficient to justify a well there.

Q That proration will nonetheless allow the

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Lot Six to participate fully in the well.

A Yes.

Q Correct? All right, let's go on to Exhibit Number Five -- or Number Six, and have you identify that for us, please.

A Exhibit Number Six is referring to Well No. 3218 and this is Lots 8 and 9, plus the adjacent reparian acreage in the river channel, and the proposed location.

And that's 70.57 acres as it's shown.

Q Okay. Going on now to Exhibit Number Seven, tell us what that is and what it contains.

A Exhibit Number Seven is a letter from the Bureau of Land Management to Suburban Propane Exploration Company, who was the previous operator and partial owner of this unit. Slayton Oil Corporation has been the owner and operator since October of 1982.

This is a request for protective wells to be drilled to prevent drainage by the previously mentioned producing wells north of the San Juan River.

Q Does that -- that -- these letters require Slayton to drill the proposed locations to prevent drainage from those tracts included in the proration units? Is that correct?

A Yes.

Q Let's go on to what we have marked as Exhibit Number Eight, and Mr. Stamets, I think we only have one exhibit of that. If necessary, we can provide another.

Can you tell us what that Exhibit Eight is?

A Exhibit Eight is the Kirtland quadrangle topo sheet and on this topo sheet in addition to the nominal features, I have indicated the Cha Cha Gallup oil wells in Section 17, 18, and 13, whether they're plugged or injection wells, et cetera.

Q Now, Mr. Foust, this application is basically necessitated by the fact that the 1880 survey and the way it has been drawn based upon the river channel, is that your version of things?

A Yes, we're looking at lots as they were defined in 1880. We make no claims as to the presence of the river or where it might be at the present date. We're basing this on the survey that's in existence.

Q And this protects the correlative rights of the various parties on adjoining tracts, as well as the owners in the effected lots that are the subject of the application.

A In my estimation, it does.

Q Would it cause waste or would approval cause waste of hydrocarbons, in your opinion?

A I think approval of these units will enable us to produce additional hydrocarbons.

Q Do you have anything further to add to your testimony?

A I think that we have covered the high-

lights and I might mention that the locations of the wells in these particular plats are unorthodox, also, and have been applied for administratively, and those letters were directed to Mr. Quintana and should be in his hands at this time.

MR. PADILLA: Mr. Examiner, we offer Exhibits numbered One through Eight and we would pass the witness at this point.

MR. STAMETS: The exhibits will be admitted.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Foust, if we write the order saying, for example, that Lots 8 and 9 would be dedicated to these wells, is that sufficient or do we also have to write in there about the adjacent reparian acres? Or is the adjacent reparian acreage included in Lots 8 and 9?

A Lots 8 and 9 as they are surveyed do not include the reparian acreage.

The Indian Reservation does include the reparian acreage.

MR. PADILLA: Let me ask another question, Mr. Examiner.

Is the royalty owner on Lots, well, on the first proration unit on the west side, is the royalty owner underlying the lot numbers and the reparian

1 rights the same?

2 A Yes. All the lands south of the mid-
3 channel of the San Juan River are Navajo Tribal or Navajo
4 Indian, or Navajo Tribe of Indians royalty mineral rights.

5 MR. PADILLA: In any event, the
6 royalty would not be diminished by virtue of participation
7 of the reparian rights or non-participation of the reparian
8 rights.

9 A That is correct.

10 MR. PADILLA: We don't, Mr.
11 Examiner, we don't have any objection whether the reparian
12 rights are included or not. Probably they should be as a
13 matter of property law or case law. I think that case law
14 in New Mexico would indicate that the ownership is to the
15 mid-channel of the river coming from the north and from the
16 south.

17 MR. STAMETS: I noticed in that
18 earlier order we had in here we didn't say anything about
19 reparian rights.

20 I'm not sure if we got those
21 covered or not.

22 Off the record for a minute.

23 (There followed a discussion off the record.)

24 MR. STAMETS: We can go back on
25 the record.

Are there any further questions of the witness? Mr. Chavez?

QUESTIONS BY MR. CHAVEZ:

Q Mr. Foust, do you concur with the Bureau of Land Management letter that says this land is subject to drainage from offset wells?

A From evidence that I have in hand, I couldn't prove or disprove it. My personal feeling is that due to the pressure maintenance project, that the oil has been moved in a northwesterly direction.

And we were planning on drilling these wells sometime during this fiscal year and we had discussed them prior to receiving this letter.

Q Mr. Foust, the Caribou well is located in the northeast quarter of Section 18. How much acreage is dedicated to that well?

A As I recall, that's the north half of the northeast quarter, which would be 80 acres as it was done.

Q Mr. Foust, then that would leave some acreage north of the river and south of that Caribou tract undedicated, is that correct?

A According to this survey, it would leave, if you can prove it graphically, I don't believe any land but the north half of the river channel would remain in question.

Q Is the ownership of that land known to

1
2 you?

3 A I could offer you an opinion. It would
4 have to be determined by an attorney in a title opinion.

5 Q Have you sought such an opinion?

6 A No, sir.

7 Q Therefore, there's a possibility as you
8 marked in Exhibit Six that the fee land north of the river
9 and south of the Caribou dedicated acreage is actually owned
10 by a person who might be able to participate in this well,
11 is that correct?

12 A If we extend the spacing unit beyond the
13 surveyed lots, yes.

14 MR. CHAVEZ: I have no more
15 questions.

16 MR. STAMETS: Any other ques-
17 tions?

18 The witness may be excused.

19 Is there anything further in
20 this case?

21 The case will be taken under
22 advisement, the cases.

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25 (Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY
CERTIFY that the foregoing Transcript of Hearing before the
Oil Conservation Division was reported by me; that the said
transcript is a full, true, and correct record of the
hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is
a complete and correct transcript of the proceedings in
the Examiner's hearing of Case No. 81178 8119
heard by me on 3-14 1984.

Richard L. Starn, Examiner
Oil Conservation Division